

Financial Regulations 2019/20

The Midland Academies Trust

Chief Finance Officer



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Financial Regulations 2019/20

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Key

Document Reference	Interpretation
Accounting Officer	Chief Executive Officer
Chief Finance Officer	Chief Finance Officer
Executive Principal	Executive Principal
Financial Controller	Financial Controller
Board	Board of Directors
Chair	Chair of Directors
Finance Committee	Finance & Resources Committee
Budget Holders	School Principals, Executive Principal

Summary of Key Authorities

Delegated Duty	Value	Delegated Authority	Process Required
Ordering Goods and Services (raising requisitions)	0 - £4,999	Principals or Chief Finance Officer	Best judgment
	£5,000 - £ 19,999	As above, plus: Principal and Chief Finance Officer/Executive Principal (Deputies can be identified during periods of absence)	Best judgement if using an approved* consortium. 3 written quotes required to be retained and a sent to procurement team
	£20,000 - £49,999	Chief Executive Officer	Best judgement if using an approved* consortium. 3 written quotes required to be retained and a sent to procurement team
	£50,000 - £99,999	Chief Executive Officer, reported in the next management accounts	Formal tender process, led by the Procurement Team or under arrangements agreed by that Team (or Chief Finance Officer in respect of the Trust)
	£100,000+	Board	
Approve and review pay structure, overall level of pay and terms and conditions		Board	
Determine staff complement and (costed) structure		Board	
Develop, implement and report on proposals for staff complement and develop and implement (costed) structure		Principals with advice and support sought from the Chief Finance Officer and HR advisers	
Performance management and approval of pay discretions		As per separate policy	
Teaching and support staff - appointment / suspension / dismissal within approved staffing complement		Principals only within approved structures	
Teaching and support staff - appointment of staff in addition to determined staffing structure		Accounting Officer/board Note: this should be an exceptional matter, which should be afforded within the budget and only on individual cases, and referred to the board.	
Teaching and support staff - determine dismissal payments / early retirement		Principal and Chief Financial Officer	
Teaching and support staff - performance management		As per separate policy	
Teaching and support staff - approval of pay discretions		Pay Committees	

* As determined by the Chief Financial Officer

Financial Regulations 2019/20

1. Introduction

- 1.1 This document is the Financial Regulations for The Midland Academies Trust (the Trust);
- 1.2 Any reference in this document to 'the organisation' can refer to the above.
- 1.3 The Financial Regulations state the Board's requirements for staff, senior post holders (if applicable) and Members in respect of the financial control of the organisation.
- 1.4 Failure to adhere to Financial Regulations can result in disciplinary action, and can be considered to represent gross mis-conduct in its own right.
- 1.5 It is the responsibility of Budget Holders to ensure that their staff are made aware of the existence and content of the Financial Regulations and that an adequate number of copies are available for reference.
- 1.6 The Financial Controller is responsible for preparing detailed financial procedures which set out precisely how the regulations are to be implemented.
- 1.7 The Financial Regulations and Schedule of Delegation is a key document, and should be read in conjunction with:
 - i. statutory requirements identified within legislation or Ministerial instructions issued under statute;
 - ii. Instrument and Articles;
 - iii. Funding Agreements;
 - iv. Scheme of Delegation;
 - v. Code of Conduct;
 - vi. Standing Orders;
 - vii. Committee Constitutions and Terms of Reference;
 - viii. relevant policies.
- 1.8 These Regulations should be consistent with the requirements of the above documents. Where any inconsistency is identified, then this should be immediately reported to the Chief Finance Officer.
- 1.9 In such an event the documentation identified above is listed in order of authority, with the higher documents having precedence over the latter, and items i to iii having precedence over these Financial Regulations.
- 1.10 All of these requirements are based on the following general principles:
 - i. Good financial management and control;
 - ii. The need to minimise risk to the organisation, financial or otherwise;
 - iii. The need to maximise value for money;
 - iv. The need to prevent, deter and detect theft, fraud, bribery or corruption.
- 1.11 Where a specific circumstance arises which is not explicitly covered by the Regulations, the member of staff should adhere to these principles, seeking guidance in the first instance from the Chief Finance Officer.
- 1.12 These Financial Regulations are explicitly reconciled to the Scheme of Delegation.
- 1.13 In practice, Academy Principals may delegate some of their authority (but not responsibility) to the school business manager, or other deputy, as appropriate. A record of such delegation should be maintained and submitted to the financial controller.

2. Editorial Control

- 2.1 Editorial control over this document is held by the Chief Finance Officer, but all amendments must be approved by the Board on the recommendation of the Audit Committee.
- 2.2 Any questions over the interpretation of Financial Regulations shall be decided by the Chief Finance Officer.

3. Waiver to Financial Regulations

- 3.1 The Financial Regulations are intended to provide a clear framework to staff and members for the effective and controlled management of the organisation's assets, solvency and operations; securing financial advantage and value for money, whilst minimising loss and risk.
- 3.2 In some instances a minor waiver to the Financial Regulations may be warranted in order to achieve these objectives. 'Minor' is hereby defined as a marginal extension to thresholds, or an exceptional item of non-adherence that concern a risk or amount of less than £25,000. Such waivers can be authorised by the Chief Finance Officer, but must be reported to the Board.
- 3.3 All other waivers of Financial Regulations require the prior approval of the Accounting Officer, or in their absence by the Chair of the Board. Again they must be reported to the Board.

4. Audit

- 4.1 The Scheme of Delegation includes the following delegations in respect of audit.

Key Function Audit		Delegation
1	Develop, implement and report on a transparent system of prudent and effective internal control	Accounting Officer & Chief Finance Officer
2	Monitor internal controls	Accounting Officer & Chief Finance Officer, with reports to the Audit Committee
3	Appointment of an Internal Auditor (IA)	Board on the recommendation of the Audit Committee
4	Appointment of External Audit Service (EAS)	Board on the recommendation of the Audit Committee
5	Evaluation of the performance of the IAS and EAS	Audit Committee
6	Approve financial statements	Board on the recommendation of the Accounting Officer and Audit Committee

4.1 Auditors' Authority

- 4.1.1 Records and procedures relating to the organisation are subject to audit at any time by the relevant regulator, the External Auditor and the Internal Auditor, their agents, or other statutory body.
- 4.1.2 External auditors, the Internal Auditor and other auditors covered by the organisation's Funding Agreements shall have authority to:
 - i. access premises at reasonable times;
 - ii. access all assets, records, documents and correspondence relating to any financial and other transactions;

- iii. require and receive such explanations as are necessary concerning any matter under examination;
- iv. require any employee to account for cash, stores or any other property under his/her control;
- v. access records belonging to third parties, such as contractors when required.

4.2 External Audit

- 4.2.1 The Chief Finance Officer is responsible for drawing up a timetable for the production of the financial statements and will advise staff and the external auditors accordingly.
- 4.2.2 The Accounting Officer will review the financial statements and the Audit Committee will review the management letter prepared by the external auditors. On the recommendation of both of these reviews, they will be submitted to the Board for approval.

4.3 Internal Auditor

- 4.3.1 The Internal Auditor shall independently examine, evaluate and report upon the effectiveness of internal controls, financial and operational, in order to ensure that they are both efficient and effective, that they remain adequate in the light of changing circumstances and are adhered to in practice. The Internal Auditor shall assist in protecting the assets and interests of the organisation by carrying out a regular examination of activities to detect fraud and misappropriation and by querying irregular expenditure.
- 4.3.2 In normal circumstances the Internal Auditor is accountable to the Accounting Officer and the Board through the Audit Committee. In exceptional circumstances, the Internal Auditor shall have direct access to the Board.
- 4.3.3 The terms of reference for the Internal Auditor will be set by the Audit Committee in line with guidance received from the appropriate regulator.

5. Budget Setting

5.1 The Scheme of Delegation includes the following delegations for budgeting.

Key Function - Budget		Delegation
1	Develop, implement and report on annual budget and 3 year forecast	Accounting Officer, Chief Finance Officer and Executive Principal, in consultation with budget holders
2	Review and recommend annual budget and 3 year forecast / Medium Term Financial Plan	Finance and Resource Committee
3	Approve annual budget and 3 year forecast	Board, on the recommendation of the Finance and Resources Committee

5.2 The form and timetable for the preparation of both the capital and revenue budgets shall be prepared by the Chief Finance Officer.

5.3 Budget Setting - Capital

- 5.3.1 A programme of capital schemes shall be prepared annually by the Budget holders and the Chief Finance Officer in consultation with appropriate colleagues, for submission to the Finance and Resources Committee, for recommendation to the Board.
- 5.3.2 These capital schemes should be aligned with the asset management plan and/or estates strategy, which should be updated annually prior to budget approval.

5.3.3 Bids for funding these schemes may be submitted by Budget Holders, having first sought relevant estates and financial advice. Prior to commissioning actual works, individual projects will be approved by the relevant authority (depending on the value) together with an assessment of both revenue and capital implications as appropriate.

5.4 Budget Setting - Revenue

5.4.1 Draft revenue budgets shall be prepared by the Chief Finance Officer in discussion with the Budget Holders and other colleagues. The Chief Finance Officer shall prepare a timetable and supporting documentation for the preparation of revenue budgets which must be adhered to.

5.4.2 The Chief Finance Officer shall prepare a report for the Finance and Resources Committee matching budget bids with likely available resources. The Budget holders will then go through a process of moderation and prioritisation to ensure revenue expenditure is affordable.

5.4.3 The Finance and Resources Committee shall review proposed income and expenditures and if satisfied shall recommend budgets for Board approval.

5.4.4 The RAB will receive a summary of the Board approved budget.

6. Budgetary Control and Reporting

6.1 The Scheme of Delegation includes the following delegations on budgetary reporting.

Key Function – Budget		Delegation
1	Monitor expenditure on a monthly basis	Accounting Officer and Chief Finance Officer, and Finance and Resources Committee (when it meets)
2	Virement up to £25k	Chief Finance Officer reported to the Board
3	Virement up to £100k	Accounting Officer, reported to the Board
4	Virement of £100k or higher	Board

6.2 Budgetary Control

6.2.1 The Accounting Officer is accountable to the Board for effective and efficient budgetary control.

6.2.2 Budget Holders may delegate the supervision of budgets, but they cannot delegate their budgetary responsibilities.

6.2.3 No expenditure may be incurred by the Budget Holder which is not covered by uncommitted approved budget provision. When a budget holder believes that their full year cost budget (revenue or capital) is likely to be exceeded they must inform the Financial Controller / Chief Finance Officer immediately to discuss the size of the potential overspend and possibilities to mitigate this overspend.

6.2.4 Virement of up to £25k can be actioned by the Chief Finance Officer, being reported subsequently to the Board.

6.2.5 Virement of up to £100,000 can be approved by the Accounting Officer, again being reported to the Board.

6.2.6 All virements above this threshold must be approved by the Board.

6.2.7 The Accounting Officer may designate members of staff as Budget Holders. Budget holders may subsequently delegate authority to members of their team to manage parts of their overall budget in a format prescribed by the Chief Finance Officer but at all times they retain their responsibility for the budget.

6.2.8 Budget Holders are responsible to the Accounting Officer for financial management of their own areas. They may be advised by their Finance or Business Manager and the Chief Finance Officer in executing their financial duties, but at all times they retain their responsibility for their area.

6.2.9 It is the responsibility of Budget Holders to ensure that expenditure and income is coded to the correct financial code.

6.3 Budget Reporting

6.3.1 The Accounting Officer shall promptly inform the Board of any matter which is liable to materially affect the finances of the organisation.

6.3.2 The Chief Finance Officer shall be responsible to the Accounting Officer for monitoring budgetary performance. The Chief Finance Officer shall have the authority to ask for and receive from Budget Holders explanations of actual or potential over-expenditure and income shortfalls so that these can be reported to the Accounting Officer and the Board.

6.3.3 Where there are material variations from original budgets or estimates, then the Accounting Officer may take the following actions, in consultation with the Finance and Resources Committee:

- i. Implement the contingency plan, or further corrective actions;
- ii. Propose a revised forecast to the Finance and Resources Committee in the light of the contingency plan actions, providing this is done before period 6. The revised forecast shall be submitted for Board approval.

6.3.4 The Chief Finance Officer shall be responsible for producing appropriate financial reports for The Board, senior managers and Budget Holders at regular intervals, as follows:

- i. Principals and Business Managers will be provided with monthly reports within 10 working days of the month end indicating the income and expenditure position Vs budget for their Academy
- ii. A financial report is presented to each Finance and Resources Committee meeting, or where the committee is not meeting to the next meeting of the Board. Where the timing of meetings does not facilitate the above requirements, the reports may be issued electronically;
- iii. The Chief Finance Officer will ensure draft annual financial statements are presented to a Board meeting in time to meet the relevant timescales of funding bodies.

7. Authorising Expenditure - The Rules

7.1 The Scheme of Delegation includes the following delegations for committing expenditure. This authorisation table applies equally to:

- i. contracts;
- ii. purchase orders;
- iii. supplier invoices received where no order was raised;
- iv. cheque requisitions.

Delegated Duty	Value	Delegated Authority	Process Required
Ordering Goods and Services	0 - £4,999	Principal	Best judgment

Delegated Duty	Value	Delegated Authority	Process Required
(raising requisitions)	£5,000 - £ 19,999	As above, plus: Chief Finance Officer/Executive Principal (Deputies can be identified during periods of absence)	Best judgement if using an approved* consortium. 3 written quotes required to be retained and supplied to procurement team
	£20,000 - £49,999	Chief Executive Officer	Best judgement if using an approved* consortium. 3 written quotes required to be retained and a sent to procurement team
	£50,000 - £99,999	Chief Executive Officer, reported in the next management accounts	Formal tender process, led by the Procurement Team or under arrangements agreed by that Team (or Chief Finance Officer in respect of the Trust)
	£100,000+	Board	

*as determined by the Chief Finance Officer

7.3 Exceptions to this are as follows:

- 7.3.1 Where invoices between £50,000 and £100,000 are received regularly, including annually, for expected and similar types of expenditure, then the Board does not need to be notified (awarding bodies, utilities, etc.);
- 7.3.2 Where invoices of over £100,000 are received regularly, including annually, for expected and similar types of expenditure, then the Board delegates approval to the Accounting Officer;
- 7.3.3 Where there is good and urgent cause, and with the agreement of the Chair (or vice-Chair) of the Board, the Accounting Officer or their deputy may authorise expenditure beyond the £100,000 limit stated above. All such authorisations should be reported back to the next meeting of the Board.

7.4 A contract or other commitment may be extended from the value of the original approval by 5% without further approval being sought, even if it exceeds a threshold stated above. Beyond this 5% tolerance, authority for the whole value, not just the extension, should be re-sought.

7.5 Revenue or Capital Items

- 7.5.1 Most goods and services purchased will be revenue items.
- 7.5.2 All revenue items of greater value than £500, or which are considered to be 'small and desirable', shall be recorded on an inventory held by each Business Manager (for the Trust), in accordance with direction from the Chief Finance Officer.
- 7.5.3 An inventory check shall be undertaken every year to ensure that all items are present. All exceptions shall be reported to the Chief Finance Officer immediately.
- 7.5.4 Capital items are physical items, other than those of a consumable nature (for example, food, materials and stationary), with a value in excess of £2,000, and shall be capitalised. Some services that relate to physical items, for example architect's fees, will also be capital items. If a particular scenario is not clear, the matter should be referred to the Chief Finance Officer.
- 7.5.5 IT equipment shall normally be capitalised over 4 years, general equipment over 10 years and buildings work over 50 years. All other items and any exceptions to these standard rates shall be considered on a case by case basis by the Chief Finance Officer.

7.6 Spending Money on Revenue Items - Goods and Services

- 7.6.1 All orders and commitments shall:

- i. follow the procurement guidelines in Appendix 1;
 - ii. be a valid charge on the organisation, that is, the organisation is the correct person to be paying this expenditure or raising the commitment;
 - iii. represent the most advantageous value for money;
 - iv. be made through the central finance system on official purchase order documentation;
 - v. state quantities, delivery dates, prices (if known) or estimates, and give a full description (including catalogue numbers) of the goods required;
 - vi. be priced, totalled and, where appropriate, include VAT;
 - vii. have quotes attached where required;
 - viii. only be raised by telephone where a written order is not practical, and in such cases a confirmation order is to be raised, (that is, a standard order with CONFIRMATION written across it). This order should be issued to the supplier, making sure that the risk of a duplicate delivery is minimised;
 - ix. be from an approved and uncommitted budget.
- 7.6.2 Official orders must be issued for all goods and/or services to be supplied except for supplies of public utility services, for regular/routine payments such as rent or rates, for petty cash purchases or such other exceptions as the Chief Finance Officer may approve.
- 7.6.3 In instances where suppliers submit their own form of contract for signature, the contract must be referred to the Chief Finance Officer who will ensure that the terms and conditions are acceptable before arranging for appropriate authorised signatories sign the contract on behalf of the organisation.
- 7.6.4 Staff must make it clear to such suppliers that the contract cannot be concluded until the Chief Finance Officer has confirmed that the terms and conditions are acceptable.
- 7.6.6 Only the Accounting Officer, a Principal or the Chief Finance Officer can authorise action under 7.5.5, and it must be reported to the Board.

7.7 Spending Money on Revenue Items - Staffing

- 7.7.1 The Scheme of Delegation includes the following delegations in respect of staffing costs. The recruitment and appointment of any members of staff is subject to approvals being sought from the Board should the appointment change the Board agreed staffing structure and staffing budget.

Key Function - Staffing		Delegation
1	Approve and review pay structure, overall level of pay and terms and conditions	Board
2	Determine staff complement and (costed) structure	Board
6	Develop, implement and report on proposals for staff complement and develop and implement (costed) structure	Principals/Executive Principal with advice and support sought from the Chief Finance Officer and HR advisers
9	Performance management and approval of pay discretions	As per separate policy
10a	Teaching and support staff - appointment / suspension / dismissal within approved staffing complement	Principals/Executive Principal only within approved structures

Key Function - Staffing		Delegation
10b	Teaching and support staff - appointment of staff in addition to determined staffing structure	Accounting Officer Note: this should be an exceptional matter, which should be afforded within the budget and only on individual cases. The appointment of more than single members of staff should be referred to the Board.
11	Teaching and support staff - determine dismissal payments / early retirement	Chief Finance Officer/Principals/Executive Principal following policies that should also include involving HR and the CFO's advice
12	Teaching and support staff - performance management	As per separate policy
13	Teaching and support staff - approval of pay discretions	Pay Committees

7.7.2 All Teaching and Support Posts including Part-Time Teaching, and Agency

All requests to fill staff vacancies within the Structure must be made to the Trust Business Manager to recruit the new post. The request must also be reported to the Chief Finance Officer Requests for agency must be made to the Executive Principal and the Chief Finance Officer.

7.7.3 All Staff - General

- i. All employees shall be paid by Credit Transfer/BACS, other than in controlled, exceptional circumstances;
- ii. The Business Manager shall be responsible for the secure maintenance of all personnel records, manual and computerised, and for the input or transfer of data to various computer systems including payroll;
- iii. Expenses shall be paid through the payroll system in accordance with the Travel & Subsistence Policy.

7.8 Spending Money on Revenue Items - On-line Purchasing and Debit Cards

7.8.1 Authorisation levels for internet-based/online purchasing remain as stated within these Financial Regulations but instead of a purchase order being raised, an internal purchase requisition is used and signed appropriately.

7.8.2 The details of the purchase shall be recorded by staff directed by the Financial Controller to ensure that the data within the financial information systems are accurate.

7.8.3 Payment will be made by a Debit Card in the name of an authorised member of staff. The Debit card will be held securely by the person to whom it is issued, or by a delegated member of staff. 7.8.4 Only appropriate sites may be used for purchases, (auction sites such as 'eBay' may only be used if the goods are new and from an assured source).

7.8.5 Upon receipt of the Debit Card statement, the relevant staff will verify satisfactory receipt of all goods/services, before validating payment.

7.8.6 The Financial Controller will issue a Debit Card to specific staff where it is considered reasonable to do so. Staff issued with a Debit Card are required to adhere to the financial processes available from the Financial Controller. These requirements are in addition to all other expenditure requirements.

7.9 Spending Money on Revenue Items - Petty Cash

- 7.9.1 Each location shall have a single petty cash account, approved by the relevant Financial Controller
- 7.9.2 Petty cash purchases are allowed for items not exceeding £50 in value for each transaction, and are subject to the prior approval of the staff member identified as being responsible for petty cash administration. Receipts must be provided and retained for all petty cash purchases. Reimbursement can only be made if supported by valid original receipts.
- 7.9.3 Subsistence and travelling expenses **must not** be paid out of petty cash accounts. Neither must proceeds from sales be paid into petty cash accounts.
- 7.9.4 Imprests shall be maintained and reimbursed in accordance with financial procedures approved by the Chief Finance Officer.

7.10 Spending Money on Revenue Items - Overseas Travel

- 7.10.1 In addition to the normal procurement rules, the following additional requirements need to be met.
- 7.10.2 Overseas travel involving Members, the Accounting Officer, Senior Post Holders or (Trust) Principals should be approved in advance by the Board and recorded in the minutes.
- 7.10.3 A report of any such visit should be prepared and presented to a Board meeting. The report should include summary details of actual expenditure.
- 7.10.4 Members, the Accounting Officer, Senior Post Holders, or (Trust) Principals travelling abroad will be covered by the organisation's travel and medical insurance policies.
- 7.10.5 Overseas travel by other members of staff should be approved in advance by the Accounting Officer and should comply with the organisation's health and safety requirements, and such approval should only be granted on the basis of forecast cost/benefits

7.11 Spending Money on Revenue Items – Hospitality and Ex-Gratia Payments

- 7.11.1 Spending on staff hospitality (including the purchase of items of food) must be kept to a strict minimal level. Any purchase of items that could be classed under staff hospitality must be authorised by the Financial Controller if any single purchase exceeds £250 or the cumulative amount in any month exceeds £500 within any single budget holder's area.
- 7.11.2 No purchase of alcohol using Trust money is allowed.
- 7.11.3 Any proposal to pay an employee an ex-gratia payment (over and above their contracted amount of remuneration) must be authorised by the Chief Financial Officer (and EFA if required).

7.12 Spending Money on Capital Items

- 7.12.1 The term "capital expenditure" shall mean all prescribed expenditure as defined by the Board acting within the advice of the Chief Finance Officer and their external auditors.
- 7.12.2 The preparation of capital budgets shall be completed in accordance with procedures established by the Chief Finance Officer. This should involve discussion with relevant stakeholders, for example, end users, senior managers and non-executives.
- 7.12.3 The inclusion of a project in the approved capital budgets shall not automatically constitute the authority for incurring expenditure. Before any work is commenced or any commitment entered into, formal written approval of the Chief Finance Officer must be obtained. The reason for this is that for large capital items, further approval from both inside and outside the organisation is sometimes required.
- 7.12.4 Capital budget is submitted annually to the Resources Committee with the MAT budget. The capital budget details the proposed capital spend for the next financial year. Resources Committee will review the capital budget for recommendation to the Corporation. Once the Capital budget is approved by the Corporation this is the authority for the spending the capital budget in line with the details provided. All capital spend must be subsequently

approved by the Chief Finance Officer to ensure compliance with the approved capital budget. All spend will be reported in the monthly performance report.

- 7.12.5 The Accounting Officer may approve additional expenditure over and above the capital budget of up to £25,000.

8. Paying for Goods and Services

8.1 Paying Invoices

- 8.1.1 Payments of all amounts must be made in accordance with financial procedures approved by the Chief Finance Officer.
- 8.1.2 All purchase invoices must be registered on receipt by the Financial Controller and then confirmed with the person placing the order for confirmation of satisfactory receipt of goods/services and authorisation to pay.
- 8.1.3 The Budget Holder, or authorised deputy, is responsible for the authorisation of the invoice either by completing an invoice coding slip (including signature) or by matching to data previously input to the accounting system confirming satisfactory receipt of goods/services.
- 8.1.4 All copy invoices passed to the Financial Controller must be **boldly** marked 'Copy'.
- 8.1.5 All internal recharges will be made in accordance with procedures determined by the Chief Finance Officer.

8.2 Paying Fees and Travel & Subsistence Expenses

- 8.2.1 All payments of fees and expenses due must be in accordance with financial procedures approved by the Chief Finance Officer.
- 8.2.2 All claims for payment must be made on forms provided for the purpose, and must be authorised by the appropriate line manager or Budget Holder.
- 8.2.3 The authorisation of a claim shall be taken to mean that the authorising signatory is satisfied that the fees and expenses:
- i. comply with approved rates, regulations and procedures;
 - ii. were properly and necessarily incurred;
 - iii. have been correctly calculated and coded;
 - iv. have not previously been passed for payment.
- 8.2.4 No member of staff is allowed to authorise their own claim for payment of fees and/or expenses.
- 8.2.5 Travel expenses and subsistence allowance will be claimable in the event of a member of staff using their vehicle for work purposes, in accordance with official Travel and Subsistence rates.
- 8.2.6 Members of staff, senior post holders, principals, the Accounting Officer and Members who intend to use their own vehicles on official business must ensure that they have business use cover on their own insurance policy.
- 8.2.7 All approved claims will be paid via the monthly payroll under arrangements approved by the Chief Finance Officer and operated by the Financial Controller.
- 8.2.8 All Member travel claims and the Accounting Officer's travel claims shall be authorised by the Chair of the Board. The Chair's travel claims shall be authorised by the Chair of the Finance Committee.

9. Income

- 9.1 The collection of all money due to the organisation and all banking arrangements shall be in accordance with the financial procedures approved by the Chief Finance Officer.
- 9.2 The Chief Finance Officer shall be responsible for maintaining systems to ensure the security and prompt banking of monies received.
- 9.3 No bank or other account shall be identified by the name of the organisation except with the prior express written permission of the Chief Finance Officer
- 9.4 In offices that are likely to receive regular income, all post must be opened in accordance with the financial procedures approved by the Chief Finance Officer.
- 9.5 Cash shall be paid into the appropriate bank account as quickly as possible, normally within one working day. Expenditure shall not be incurred out of cash held.

9.6 Income - Funding Income and Information Systems

- 9.6.1 The generation of grant income and non-grant income included within a Budget Holder's area is their responsibility. This provides the justification for associated expenditure, and reductions in income forecast will result in a reduction in permitted expenditure.
- 9.6.2 The Accounting Officer is responsible under the various Funding Agreements for the maintenance of an adequate audit trail to support the claim for the grant funding. This has been delegated by the Accounting Officer to each Budget Holder.
- 9.6.3 The organisations' information systems are a critical income generation system for GAG, and all staff are required to ensure that the data included therein is accurate and up to date.
- 9.6.4 All student enrolment details are to be entered onto the system in an accurate and timely manner and must have the required supporting audit evidence as laid down by the prevailing guidance issued. The resulting data must accurately reflect the evidence held.
- 9.6.5 All student withdrawals, transfers, achievements, or other changes in learner or learning circumstances, must be entered onto the system in an accurate and timely manner, and must have the required supporting audit evidence as laid down by the prevailing guidance issued and updated from time to time. The resulting data must accurately reflect the evidence held.
- 9.6.6 Any requests to explain, update or correct data must be responded to positively immediately.

9.7 Debts

- 9.7.1 All reasonable steps must have been taken to recover debts, and documentary evidence of such steps must be retained.
- 9.7.2 Debts known to be irrecoverable up to a value of £1,000 may be written-off by the Chief Finance Officer.
- 9.7.3 All write-offs of between £1,000 and £5,000 may be written off by the Accounting Officer, write-offs above £5,000 shall be approved by the Board and for transactions over £45,000, by the Secretary of State (or as otherwise required in accordance with the relevant Funding Agreement).

10. Treasury Management

10.1 Treasury Management Policy

- 10.1.1 Treasury management is defined as:

'The management of the cash flow, banking and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

- 10.1.2 The objectives of this policy are to ensure that:

- i. funds are held in a secure institution;
 - ii. adequate funds are available to enable the organisation and its subsidiary institutions to meet their financial commitments at all times;
 - iii. surplus funds are used effectively to optimise returns while minimising risk to the capital sum;
- 10.1.3 The Chief Finance Officer shall present an annual investment plan to the Board as part of the annual budget for approval. The Chief Finance Officer shall report performance against this plan within the monthly finance reports, seeking approval for any deviations.
- 10.1.4 The Chief Finance Officer is authorised to invest any sum of money within the organisation's bank accounts. All investments must be made in the name of the organisation or relevant subsidiary institution. All fund transfers should be made directly from, and on maturity, be received directly into, the relevant bank account.
- 10.1.5 The organisation assesses its investment institutions using Standard & Poor's credit ratings and will only use investment institutions that meet, one of the following criteria:
- i. Long term rating AA-, and Short Term rating A-1+;
 - ii. The organisation's current bankers.
- 10.1.6 Investments should be reviewed at least annually. The rates of a minimum of three providers (including the existing provider) should be reviewed.
- 10.1.7 The Chief Finance Officer shall also be responsible for controlling the short-term investment of organisation funds for any of the purposes mentioned above.
- 10.1.8 The long-term investments of the organisation shall be determined by the Board on the advice of the Chief Finance Officer in accordance with the policies determined by the Board.
- 10.1.9 Any amount can be invested in an instant access account in an institution that meets the investment criteria stated above providing that it is subjected to a 3-monthly review of market rates to ensure continued competitiveness.
- 10.1.10 In respect of the investment of funds, the organisation should retain sufficient cash to cover thirty days expected cash outflows.
- 10.1.11 All mandates require two authorised signatures for investment bank accounts.

10.2 Borrowing

10.2.1 The Scheme of Delegation includes the following delegations in respect of borrowing.

Key Function – Borrowing		Delegation
1	Seek approval from the Secretary of State for any borrowing or other matters (as per the Academies Financial Handbook)	Board, on the recommendation of the Accounting Officer and the Chief Finance Officer

10.2.2 Borrowing shall not be entered into without the consent of the Secretary of State. In which case, clause 10.2.3 shall also apply.

10.3 Banking & Bank Accounts

- 10.3.1 The organisation's banking arrangements shall be reviewed annually by the Chief Finance Officer and a recommendation as to whether to invite suitable banks to tender for the service should be made to the Board every five years.
- 10.3.2 Within the framework of this policy the Chief Finance Officer is responsible for the appointment of bankers and other financial advisers. The Chief Finance Officer is also responsible for notifying the Board of any arrangements made.
- 10.3.3 All bank accounts, bank reconciliations, cheque and BACS payments will be operated in accordance with the financial procedures by the Chief Finance Officer.

10.3.4 The Chief Finance Officer is responsible for ensuring that regular reconciliations are undertaken on all bank accounts and that large and unusual items are investigated.

10.3.5 The Chief Finance Officer is also responsible for the preparation of regular cash flow projections on a timely basis. A twelve month rolling cash flow projection will be reported within the monthly financial report.

10.5 Money Laundering:

10.5.1 The organisation should be alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Any such suspicions should be reported to the Chief Finance Officer for appropriate action.

10.6 Taxation

10.6.1 The Financial Controller shall maintain the VAT records and shall make all VAT payments and receive all VAT credits as appropriate

10.6.2 All queries regarding VAT matters shall be raised with the Chief Finance Officer.

10.6.3 The Chief Finance Officer shall maintain the PAYE records and shall make all PAYE payments and receive all PAYE credits as appropriate.

11. Assets

11.1 The Scheme of Delegation includes the following delegations in respect of assets.

Key Function - Premises and Insurance		Delegation
1	Develop, implement and report on a buildings strategy, asset management planning arrangements and maintenance plan	Accounting Officer
2	Advise on / recommend and monitor a buildings strategy, asset management planning arrangements and maintenance plan	Finance and Resources Committee
3	Approve and review a buildings strategy, asset management planning arrangements and maintenance plan	Board, on the recommendation of the Finance and Resources Committee
4	Procure minimum value building and maintenance works within the maintenance plan	Accounting Officer
5	Monitor minimum value building and maintenance works within the maintenance plan	Accounting Officer

11.2 The Clerk to the Board shall be responsible for maintaining the terrier plans of land, buildings and fixed plant. The Clerk to the Board shall be responsible for the custody of all deeds of title.

11.3 The acquisition or disposal of any assets shall be in accordance with the policies of the Board, and where necessary the terms and conditions imposed by the regulator and/or funder.

11.4 The Chief Finance Officer is responsible for ensuring that there is a robust system of validating all fixed assets in the financial statements back to their physical location.

11.5 Security

11.5.1 Each Budget Holder is responsible for making appropriate arrangements for the safe keeping of all equipment (capital or otherwise), income, records or materials, within their area.

11.5.2 Each Budget Holder shall be responsible for maintaining security of all buildings, furniture, equipment, plant, stores and all other assets under his/her control.

- 11.5.3 Each member of staff shall be responsible for maintaining proper security of all furniture, equipment, plant, stores and all other assets under their control and for the maintenance of records in the form approved by the Chief Finance Officer.
- 11.5.4 The Financial Controller shall arrange periodic and at least annual, physical checks of assets against relevant records.
- 11.5.5 Property must not be removed from the premises, or used, other than in the course of the organisation's purposes, except with the approval of the Budget Holder or Financial Controller. In all cases where property is temporarily removed from its normal location, appropriate entries must be made in the inventory record and insurance cover arranged by the Chief Finance Officer. Certain "mobile" devices are specifically excluded from the need to secure approval, notably laptops.
- 11.5.6 All moveable property shall as far as is practicable be marked as the organisation's property.

11.6 Disposal of Assets

- 11.6.1 The write-off and disposal of assets shall be in accordance with the financial procedures approved by the Chief Finance Officer.
- 11.6.2 All disposals of assets (capital or otherwise) should be made with due regard to economic and environmental factors.
- 11.6.3 Any item of inventory or stock deemed obsolete or surplus to requirements may be sold or disposed of, provided the disposal has been appropriately authorised according to the following limits:

Key Function - Sale of Assets		Delegation
1	Sale or disposal of assets (net Asset value) excluding land and buildings	Budget Holder for items less than £5,000 Chief Finance Officer for items of £5,000 to £49,999 Accounting Officer for items of £50,000 to £99,000 Board for items of £100,000 or more

- 11.6.4 The disposal of land and buildings must only take place with the authorisation of the Board. These assets must be sold so as to secure best value for money, normally meaning market value. The proceeds of such disposals must be used in a manner that satisfies grant conditions, or other statutory or regularity requirements.
- 11.6.5 Any disposal of land and building should have due regard to the rights and requirements of the Secretary of State, their Agents, or of any other interested party seeking prior approval or consent where necessary.

11.7 Insurance

- 11.7.1 The Scheme of Delegation includes the following delegation in respect of insurance.

Key Function - Premises and Insurance		Delegation
1	Ensure adequate insurance cover	Chief Finance Officer

- 11.7.2 The Chief Finance Officer shall authorise in writing all insurance which is taken out in the organisation's name. The Chief Finance Officer shall effect such insurances as are from time to time considered necessary to cover the risks to which the organisation is exposed, and shall negotiate and recover claims.
- 11.7.3 All staff must be promptly notify the Chief Finance Officer of all new risks, additions, disposals and alterations affecting existing insurances.
- 11.7.4 The Chief Finance Officer must be promptly notified in writing of any loss liability or damage or any event likely to lead to a claim and shall take such action as may be necessary to satisfy

any insurance policy conditions.

11.7.5 Members of staff, the Accounting Officer, Principals and Members who intend to use their own vehicles on official business must ensure that they have business use cover on their own insurance policy.

11.7.6 Any claims for losses will mean the payment of an excess. It is the responsibility of the organisation suffering the loss to meet the cost of the excess from within their allocated devolved budget. Trust only: this applies to individual academies.

11.8 Risk Management

11.8.1 The Scheme of Delegation includes the following delegations.

Key Function - Risk Management		Delegation
1	Develop, implement and report on the risk register, assess and manage risks	Chief Finance Officer
2	Sign off and monitor the risk register	Audit Committee
3	Advise on relevant risks and the assessment of risk likelihood and impact and approve and review risk registers	Audit Committee
4	Develop, implement and report on the contingency and business continuity plan	Chief Finance Officer
5	Advise on / recommend and monitor the contingency and business continuity plan	Audit Committee
6	Approve and review the contingency and business continuity plan	Board, on the recommendation of the relevant committee

11.8.2 The organisation acknowledges the risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its business objectives. Detailed guidance on risk management is set out in a separate Risk Management Policy which has been compiled in line with the latest guidance.

11.8.3 The Board has overall responsibility for ensuring that there is a Risk Management Policy and a common approach to the management of risk throughout the organisation. This is done through the development, implementation and embedding within the organisation of a formal structured risk management process.

11.8.4 The Board relies on the relevant committee, as part of its terms of reference, to advise the Board on the adequacy and effectiveness of the organisation's arrangements for risk management.

11.8.5 The Accounting Officer is responsible for overseeing the approved Risk Management Policy and ensuring that all identified controls are operating effectively to minimise the risks faced by the organisation.

11.8.6 The Chief Finance Officer is responsible for the operational mechanics and reporting to the relevant committee and Board of the risk management arrangements. This includes business continuity.

12. Counter Fraud, Bribery and Corruption Policy

- 12.1 The organisations operate a zero tolerance attitude in respect of fraud, bribery and corruption.
- 12.2 In the event that a staff member becomes suspicious that fraud, bribery or corruption is being committed, they are hereby fully authorised to take immediate action to prevent further loss to the organisation, or to secure evidence. Any such action must however be reported to senior management in accordance with this plan **immediately** thereafter. If it subsequently becomes clear that those suspicions and actions were ill founded, then the organisation will not discipline the member of staff concerned, unless it is considered that the action was motivated by personal animosity.
- 12.3 Due attention should be paid to the Employee Disclosure (Whistle blowing) Policy.
- 12.4 The Accounting Officer, members of the Executive Principals (schools), and the Chief Finance Officer are authorised to refer matters to the Police.
- 12.5 All suspicions or instances of fraud or corruption shall be reported to the Chief Finance Officer.
- 12.6 No member of staff shall take or offer a bribe, or allow them to be placed in such a position where such an act may be suspected. Where a bribe is offered or suspected of having been offered, it shall be reported immediately to the Chief Finance Officer for consideration of further action under the Bribery Act 2010, in accordance with this policy.
- 12.7 The organisation, its Internal Auditor and, where appropriate, its external auditor must report to the regulator's Accounting Officer, copied to the relevant chief auditor, without delay, serious weaknesses, significant frauds, major accounting and other control breakdowns of which they are aware. A serious weakness would be one which may result in a significant fraud or irregularity, and may include cases of irregularities in expenditure which could lead to suspicions or fraud. Significant fraud is usually where one or more of the following factors are involved:
 - i. the sums of money are in excess of £10,000;
 - ii. the particulars of the fraud are novel, unusual or complex;
 - iii. there is likely to be great public interest because of the nature of the fraud or the people involved.
- 12.8 For all amounts the Chief Finance Officer will coordinate an appropriate investigation, reporting the details to the Accounting Officer, members of the Executive, Principals, and the Audi Committee.
- 12.9 In carrying out an investigation the Response Plan included in Appendix 2 should be followed.
- 12.10 Each and every instance of theft, damage, fraud or corruption will have its own set of circumstances. The procedures included in Appendix 2 are provided as a standard outline for the management of such incidents. It is accepted that variations may sometimes be necessary. Staff are therefore authorised to work to their best endeavours, seeking advice and support at all times, to reach the best outcome for the organisation.

13. Other Regulations

13.1 Gifts and Hospitality

- 13.1.1 The Accounting Officer or nominee is authorised to accept a gift of money, land or other property and apply it on behalf of the organisation, or hold and administer it in trust, for any legal purpose.
- 13.1.2 No Member or member of staff shall accept gifts or hospitality from any person or organisation where the organisation could not reasonably be expected to reciprocate the gift or hospitality.
- 13.1.3 Any such gift or hospitality in excess of £50 shall be declared in the register of interests maintained by the Clerk to the Board (or if smaller items within a 12 month period have a collective value of more than £50).

13.1.4 Gifts that are received in an official capacity shall become the property of the organisation, for example, awards and works of art. Gifts that are clearly personal, for example, clothing and food, may be retained by the Member or member of staff.

13.1.5 Gifts that are received in the course of official business, for example, loyalty points from hotels, shall only be used in respect of official business.

13.1.6 Summary

Gift	Action	Recording
Land, assets, money, awards, works of art, etc., received in connection with the organisation.	Surrender to the organisation (employer)	If in excess of £50 value, register with the clerk (single items, or collective items over a 12 month period).
Personal gift received due to connection with the organisation (food, clothing etc.)	Only accept if the organisation (employer) could be reasonably expected to be able to reciprocate	
Hospitality	Only accept if the organisation (employer) could be reasonably expected to be able to reciprocate	
Any of the above that may be offered and could be reasonably considered to be an inducement	Refer to the Counter Fraud, Bribery and Corruption Policy	

13.2 Copyright

13.2.1 Intellectual Property rights arising out of work invented or created by a student as a requirement of a course of study or by a member of staff of the organisation shall belong to the organisation.

13.2.2 All staff should inform the Chief Finance Officer of any actual or potential intellectual property that has been created.

13.2.3 The Chief Finance Officer will be responsible for registering and maintaining records of all such intellectual property

13.3 Subsidiary Companies

13.3.1 The Chief Finance Officer is the only person authorised to set up subsidiary companies, after having obtained Board approval.

13.4 Third Party Property

13.4.1 When any member of staff has to look after private or lost property then a complete inventory of the property shall be maintained.

13.4.2 Full details of the disposal of the property shall be recorded in the inventory.

13.5 Other Funds

13.5.1 'Other Funds' shall mean funds which, whilst not forming a part of the organisation's primary activities, shall be identified by the organisation's name, for example, a prize fund or school fund.

13.5.2 'Other Funds' must not be created without the express knowledge and prior written consent of the Chief Finance Officer.

13.5.3 The holders of 'Other Funds' must keep separate accounts and records for each fund, and shall under no circumstances use the monies of the organisation or 'trading activities', in connection with these 'Other Funds'.

13.5.4 'Other Fund' monies shall be banked to the credit of the fund in the same timescales as for organisation funds.

13.5.5 Bank accounts shall not be identified by the name of the organisation except with express

written permission of the Accounting Officer or Chief Finance Officer. Bank accounts shall be operated by the joint signature of at least two persons.

- 13.5.6 The organisation accepts no liability for the loss of funds held on its site, or in its safes, that do not belong to it. Such funds could include receipts for sponsorship activities temporarily stored.
- 13.5.7 Audit arrangements shall operate in accordance with the direction of the Chief Finance Officer and/or external regulators.

14. Monitoring and Review

- 14.1 These Financial Regulations will be reviewed annually, or as otherwise directed by the Accounting Officer, organisation policy or legislative changes.

Appendix 1

1. Contracts and Tendering

- 1.1 The Trust is a recognised public body and is obliged, in the interests of openness, to follow the EU procurement regulations.
- 1.3 Every contract over £500,000 in value or amount which is either for the execution of works or the supply of goods or materials otherwise than at one time shall provide for the payment of liquidated damages by the contractors in case the terms of the contract are not duly performed, and the organisation shall require and take sufficient security or guarantee for the due performance of every such contract, unless such security or guarantee is provided for by general arrangements made by the organisation.
- 1.4 In line with the Bribery Act 2010 every written contract for the provision of goods or services shall contain a clause entitling the organisation to cancel that contract and recover from the contractor any loss resulting from such cancellation if the contractor or any employee of the contractor shall have offered, given or agreed to give any inducement or reward of any nature whatsoever in relation to the obtaining or execution of the contract or any other contract with the organisation.
- 1.5 In cases where a private architect or consultant is employed to act for the organisation in the carrying out of works or purchase of supplies it shall be a term of appointment that he/she shall observe or otherwise secure the observance of the procedures prescribed in these Financial Regulations and comply or ensure compliance with all relevant statutory obligations.

2. New Suppliers

- 2.1 For suppliers to be entered onto the central finance system they must follow a formal approval process laid down by the Chief Finance Officer.
- 2.2 The organisation does not use 'preferred' suppliers when that means one sole supplier for a type of service. 'Approved' suppliers are those that have been authorised for entry onto the finance system. Approved "Consortia" must be formally authorised by the Chief Finance Officer before being used. By their nature, purchasing consortia have negotiated discounts so for purchases under £50,000 no alternative quotations need to be sought.
- 2.3 Appropriate quotations should be obtained from suppliers already on the finance system. If you need to obtain quotations from suppliers not on the finance system, you need the following information included in your quotation: standard terms and conditions; VAT status; carriage/insurance/installation charges; and any early settlement discount details.
- 2.4 To ensure that quotations are genuinely competitive, potential suppliers should be chosen by careful research using appropriate trade publications et cetera. If necessary, advice may be sought from the Chief Finance Officer. When seeking quotations from potential suppliers, there must be a permanent, auditable record which shows that each supplier received identical details against which to quote.
- 2.5 Before being entered onto the finance system, credit checks and health and safety checks must be signed off on the approved form which will then be input into the finance system in line with the "contract control" process. This shall include an assessment of such issues where appropriate as:
 - i. professional indemnity insurance (as appropriate);
 - ii. public liability and employer liability insurance (as appropriate);
 - iii. policies on health & safety, equality & diversity and sustainability;
 - iv. any other statutory requirement.
- 2.6 **Any** work undertaken by an employee will be paid through the payroll even if it is unrelated to their central role. No employee will be permitted to 'invoice' the organisation for payment in any other way.
- 2.7 All payments to named individuals will be considered to be taxable under PAYE and processed through the payroll, unless:
 - i. they can produce formal notification from the Inland Revenue that
 - ii. they are registered as self-employed;

- iii. a letter from a CCAB qualified accountant who represents them to the same effect;
 - iv. a P38S declaration can be signed enabling the Trust to pay them gross (relates to learners only).
- 2.8 To avoid any potential conflict of interest, companies wholly owned by Trust employees should not be registered as suppliers on the central finance system without the express advance permission of the Chief Finance Officer.
- 2.9 Where there are special requirements, particularly around delivery or completion dates, the order must be clearly worded. In some cases, there are particular phrases which have legal significance. (If you are in any doubt, consult the Chief Finance Officer.
- 2.10 Where a member of staff wishes to use a supplier not on the finance system, approval must be sought from the Business Manager. A pro forma for such an application can be obtained from his office, or from Finance. A copy of the quotation(s) should be attached.
- 2.11 Orders of value £5,000-£49,999, inclusive of VAT, and not via an approved consortium, should be supported by at least 3 written quotations. If the order is not at the lowest price, an explanation in writing together with a minute of the Finance & Resources Committee giving approval, must be attached.
- 2.12 Orders of the value £50,000 and over, inclusive of VAT, must be put out to tender. The tendering process will be administered by the Chief Finance Officer, or arrangements agreed by the Chief Finance Officer.
- 2.13 Under no circumstances should any employee enter into a contract or implied contract with the representative of the supplier. Staff should be clear that an order is deemed to have been placed once 'an offer has been made and accepted, for a consideration, between two competent parties'. Contracts and signed orders are not strictly necessary and it is possible for a supplier to have a claim for costs incurred because of verbal understanding, often, in fact, a verbal misunderstanding, which was reached during a conversation.

3. Tendering

- 3.1 All tendering must follow the procedures outlined in the procurement tendering processing and procedure document. It is essential that any tendering exercise is carried out according to these procedures to ensure that all bids are dealt with equitably and are subject to the same level of scrutiny. The procedures identify individual roles and responsibilities in the management of the process; give guidance on the application of value-for-money considerations during evaluation; and give guidance on the selection of key criteria to be used. Sample documents to be used in the tendering process are included in the pack.
- 3.2 Please ensure that sufficient time is allocated to allow for a realistic tendering process.
- 3.3 The tendering process will be managed by the procurement team. The evaluation panel will normally include the appropriate Principal, at least one end-user and an external specialist. This type of tendering process can be divided into two different types: Design and Performance.

Appendix 2

Fraud, Theft, Bribery and Corruption Response Plan

1. Procedures

- 1.1 These Procedures are designed to address the following incidents:
 - 1.1.1 where the Finance & Resources Committee feels there is evidence of irregularity, fraud, corruption, or any impropriety, the Chair of the Committee must notify the Accounting Officer and the Chair of the Board, who should raise the matter at the next meeting of the Board. Where the matter is considered significant, the Non-executive Directors should consider holding a special meeting;
 - 1.1.2 theft of cash or cash equivalents (e.g. fraudulent conversion of cheques);
 - 1.1.3 theft of property or wilful damage thereto;
 - 1.1.4 theft or wilful damage to the possessions of staff, student and visitors;
 - 1.1.5 all frauds with potential for direct pecuniary loss - e.g. submission of invalid travel claims, illicit use of official stationery;
 - 1.1.6 all frauds involving inappropriate use of property (including intellectual property) and resources (including time for which staff are being paid) for personal gain;
 - 1.1.7 any examples of accepting inappropriate gifts or hospitality from a contractor or potential contractor or employee;
 - 1.1.8 any examples of failing to declare a direct or pecuniary or otherwise conflicting interest in a contractor or potential contractor, or relationship with a potential employee;
 - 1.1.9 any examples of providing inappropriate gifts or hospitality in order to influence the actions of any third party in their relationship with the organisation.
- 1.2 Not all breaches of Standing Orders, Financial Regulations or other rules mean that one or more of the above has occurred. However, everyone should be aware that such breaches are one of the ways in which 'suspicions are aroused' and any breach of Regulations **could** be investigated in a theft/fraud/corruption context. If genuine operational service considerations require the usual rules to be waived, this must always be sanctioned at the right level and properly documented in line with Standing Orders, Financial Regulations and relevant procedure notes.
- 1.3 It is vital all staff know that, should they have any concerns in any of the above areas, they can report them in confidence to their line manager. If this would not be appropriate or the staff member feels that their line manager has failed to take appropriate action, anyone can approach:
 - i. any member of the Internal Auditor's team;
 - ii. Chief Finance Officer;
 - iii. **One** nominated representative from Human Resources (HR).
- 1.4 Any line manager must pass on incidents reported to them by staff or from outside the organisation to at least one of the Internal Auditor, Chief Finance Officer, or HR adviser within one working day. **In view of the important rules surrounding collection of evidence, line managers must on no account carry out any investigations themselves.**
- 1.5 Incidents or suspicious reports to any one must be notified to the other two immediately. The Internal Auditor will bring any such reports (or suspicions aroused by audit work) to the immediate attention of their manager or engagement partner.

2. Investigation

- 2.1 For each reported incident, a working group will be set up normally consisting of:
 - i. a senior member of the Internal Auditor's firm;

- ii. the Principal or a senior representative;
- iii. HR adviser.

and the appropriate lead person identified. This individual will be responsible for ensuring that all papers relating to the enquiry are of the standard required to support any disciplinary action and would be admissible as evidence in court.

- 2.2 The immediate requirement of this group is to assess what further investigation and action the reported incident or suspicions warrant. This may be influenced by whether or not the report is anonymous. For other reports, there must be positive feedback thanking the reporter for bringing the matter to our attention and assuring them that appropriate action is being taken. This is important even in the event that reports are actually considered irrelevant or trivial, since such feedback encourages an open reporting environment.
- 2.3 The group will need to consider the following issues:
- i. formal, internal reporting to the Accounting Officer or Board;
 - ii. formal, internal reporting to the Chair of or full Finance & Resources Committee (reporting by Principal or Internal Auditor);
 - iii. the need for 'Losses and Compensations' reporting once the pecuniary impact of the incident(s) has been assessed (losses above specified amounts have to be reported and approval gained for write-off);
 - iv. formal, external reporting to the EFA (by the Accounting Officer) and the external auditors (by Chief Finance Officer or the Internal Auditor);
 - v. immediate practical action such as informing insurance company, liaison with bank, deletion of a suspect's computer access, changing passwords or door lock codes;
 - vi. whether and when to involve the police, usually informally at first but then to establish precisely the nature and timing of any interviews and by whom they are to be conducted (approach normally by the Internal Auditor, possibly with HR adviser);
 - vii. disciplinary action, particularly in the first instance whether it is appropriate to suspend any individual(s) - with due consideration for whether such action would help or hinder the investigation (any action led by the Principal as advised by the HR adviser);
 - viii. whether the actions or inactions of any supervisor and/or manager of individual(s) involved in the incident warrant investigation or action;
 - ix. public relations and media - this will be particularly important if the matter has already been brought to the attention of the media or even reported to the organisation by the media (any action to be led by the Accounting Officer);
 - x. whether the circumstances are such that a change in the organisation's relations/procedures is required and/or specific unplanned audit work is needed in similarly vulnerable areas (Internal Auditor and Chief Finance Officer).
- 2.4 Having decided on the nature of any investigation, the working group must formally record:
- i. how the matter came to light;
 - ii. the reasons for the nature and scope of the planned investigation and the individuals involved/potentially involved.
- 2.5 Depending upon the nature of the issue involved, the investigation phase could be anything from a day to several months. The group must meet frequently during this phase and review each of the issues noted at paragraph above in the light of the latest available information. These meetings must be minuted to provide an accurate record of agreed actions and the reasons behind them
- 2.6 This will be particularly important with regard to Police involvement and its interaction with internal disciplinary proceedings. The burden of proof required for the Police and CPS to take a case to court is much greater than required for a disciplinary hearing. If the Police do decide to pursue the case, it must be recognised that they will then take the lead in the investigation and such involvement will

almost certainly impact upon the timing and nature of any disciplinary proceedings. The group should continue to meet and maintain close liaison with the Police under these circumstances.

- 2.7 Having taken into account Police and legal advice, the ultimate decision as to whether or not to pursue civil action will lie with the organisation. The CPS will determine whether criminal action should be pursued.
- 2.8 If there is to be no Police involvement or if the Police cease to pursue the matter without getting a case to court, the group must decide whether or not sufficient evidence is available or is ever likely to be available to justify disciplinary proceedings, or any action is required to recover lost funds or property in consultation with legal and insurance advisers as appropriate.
- 2.9 Just because the Police or CPS decides not to pursue a case does not invalidate the potential for civil or disciplinary proceedings. Naturally the outcomes of any criminal action may feed into or lead to civil or disciplinary proceedings. Civil or disciplinary action should not normally be delayed whilst criminal proceedings are being progressed.
- 2.10 Once the group is satisfied that all the evidence which can be collected cost effectively has been obtained, the investigation phase is over. This decision must be taken in the context of the nature and scale of each incident.
- 2.11 If disciplinary action is to be pursued, the group must advise the organisation as to what action is warranted (from a formal warning to dismissal with loss of pension rights) by the nature and scale of the incident, the available evidence and, possibly, any mitigating circumstances.
- 2.12 If disciplinary action is to be taken against a member of any professional body, that body should be informed of the circumstances so that they can consider disciplinary action in their own right.

3. Caveat

- 3.1 Each and every instance or suspicion of theft, damage, fraud, bribery or corruption will have its own set of circumstances. The above plan is provided as a standard outline for the management of such incidents. It is accepted that variations may sometimes be necessary. Staff are therefore authorised to work to their best endeavours, seeking advice and support at all times, to reach the best outcome for the organisation.